INTEREST RATE AS AN INSTRUMENT FOR DETERMINING THE EFFICIENCY OF THE FIRMS ON A MICROECONOMIC SCALE

Summary

From the microeconomic point of view, interest rate determines the minimal efficiency of capital. In broader terms, it determines the minimal efficiency of any business activity. Such a microeconomic definition of the interest rate implies that interest rates, together with other instruments, should ensure efficient operation and development of economic entities.

Practical implementation of the interest rate for the abovementioned purpose brings about many problems. One of the most important issues is how to determine, and later, how to confirm that aparticular level of the interest rate ensures the expected minimal economic efficiency. This paper attempts to answer this question on the basis of empirical data.